

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7322**

**BILL NUMBER:** HB 1838

**NOTE PREPARED:** Jan 13, 2003

**BILL AMENDED:**

**SUBJECT:** Fayette County CEDIT.

**FIRST AUTHOR:** Rep. Hoffman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** The bill authorizes Fayette County to impose an additional County Economic Development Income Tax (CEDIT) rate of not more than 0.25% to pay the capital and operating costs of renovating the county courthouse and to pay the costs of economic development projects. The bill provides that revenues from the additional tax rate may be used to repay bonds issued or leases entered into for the courthouse.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Summary:* Under the bill, revenue from a 0.25% CEDIT rate increase may be used for financing, renovating, equipping, operating, and repayment of any bonds issued or leases entered for the county courthouse. The additional revenue may also be used for economic development projects described in the County's capital improvement plan.

**Explanation of Local Revenues:** *Summary:* Under the bill, Fayette County would be allowed to increase their CEDIT rate by up to 0.25% not to exceed a combined CEDIT and County Option Income Tax (COIT) rate of 1.25%. (Current law allows, with few exceptions, a maximum combined CEDIT and COIT rate of 1.0%.) Assuming an effective date of July 1, 2003, the county could receive approximately \$1 M in additional revenue per year no sooner than CY 2005. The additional revenue from the 0.25% increase in the CEDIT rate would be deposited in the County Courthouse Revenue Fund.

The effective date of the bill is upon passage. Currently, Fayette County imposes COIT at a 1.0% rate and does not impose CEDIT. The county council most likely could adopt an ordinance to set its CEDIT rate at 0.25% no sooner than after March 31, 2003. The effective date of an ordinance adopted after March 31, 2003 would be January 1, 2004. If an ordinance is adopted after January 1, 2004, and before April 1, 2004, the effective date of the ordinance would be July 1, 2004. Certified distributions with the higher CEDIT rate would begin to be received by Fayette County in CY 2005.

*Background:* Under current law, CEDIT rates may be set at 0.1%, 0.2%, 0.25%, 0.3%, 0.35%, 0.4%, 0.45%, and 0.5%.

Under current law, a county must adopt a rate increase in CEDIT by April 1 of a given year. In July of that year, the State Budget Agency calculates a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

**State Agencies Affected:** State Budget Agency; Department of State Revenue.

**Local Agencies Affected:** Fayette County.

**Information Sources:** State Budget Agency.

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